

Special Accounts Senior Management Committee

December 3, 2009



Agenda

- Summary March 2009 Meeting
- Financial Status of Special Accounts (SA)
- Reclassifications and Transfers to the Trust Fund
- Planned Uses for SA Resources
- Status of OIG Audits and Open Recommendations
- Documents under Development
- Use(s) for Funds Set Aside for SA Management
- Review Action Items and Next Steps



March 2009 Meeting

- 1st meeting of the Committee on March 31, 2009
- Reviewed and discussed:
 - SA Committee Charter and SA Management Strategy
 - Financial status of SAs and plans for using SAs
 - OIG final report and responding to recommendations
 - SA documents under development
 - SA information on the Internet and Intranet
 - Using SAs for indirect costs

Financial Status of SAs

Account Status		FY 2008	FY 2009
Open	Number of Accounts	841	905
Closed	Number of Accounts	32	43
Inputs and Outputs to EOFY Available Balance		\$ in Thousands	\$ in Thousands
	EOFY Available Balance	1,052,121.2	1,323,594.5
	FY Activities		
	+ Receipts	426,846.1	237,089.4
	- Transfers to TF (Receipt Adjustment)	(1,275.9)	(9,541.4)
	+ Interest Earned ¹	50,532.1	25,466.4
	- Net Change in Unliquidated Obligations	(22,345.7)	(37,520.8)
	- Disbursements for EPA Incurred Costs	(104,746.8)	(167,643.5)
	- Disbursements for Work Party Reimbursements under Final Settlements	(7,040.4)	(14,339.1)
	- Reclassifications	(70,496.0)	(14,391.9)
	EOFY Available Balance	1,323,594.5	1,342,713.7
Multi-Year Plans for EOFY Available Balance		\$ in Thousands	\$ in Thousands
	EOFY Available Balance ²	1,339,546.1	1,342,713.7
	- Estimates for Future EPA Site Activities	1,214,510.4	1,181,142.7
	- Estimates for Potential Disbursement for Work Party Reimbursements Identified in Final Settlements	36,366.0	39,173.8
	- Three Year Estimates for Reclassifications	49,210.4	58,348.4
	- Three Year Estimates for Transfers to Trust Fund	31,534.5	4,954.9
	EOFY Available Balance To Be Assigned	7,924.9	59,093.8

¹ FY 2008 amount reflects interest from 8/31/2007 from 8/31/2008. FY 2009 amount reflects interest from 8/31/2008 to 8/31/2009.

² FY 2008 plans reflect CERCLIS data of November 7, 2008. FY 2009 plans reflect CERCLIS data as of October 16, 2009.



Reclassifications & Transfers to the Trust Fund

	Plans		Actuals	
	\$ in M	# Accts	\$ in M	# Accts
Reclassifications				
FY 2009	\$29.0	48	\$14.4	19
FY 2010	\$43.1	70	\$0.3	1
Transfers to Trust Fund				
FY 2009	\$22.1	32	\$9.5	8
FY 2010	\$3.5	31	\$0.0	0

- OSRTI will provide updates to the Regions quarterly on the status of their planned Reclassifications and Transfers to the Trust Fund.
- Reclassifications and Transfers to the Trust Fund should begin earlier in the FY to spread workload.
- Notification memos for Reclassifications, Transfers to the Trust Fund, and Account Closeouts can be combined to streamline the process.



Planned Uses for SAs

- See “FY2010 SA Planning Analysis” presentation

Status of OIG Audits and Open Recommendations

- Open Recommendations from OIG March 2009 Review
 - Recommendation 1(a): Public Reporting of SA Information
 - Recommendation 1(e): Develop Guidance on Reserves
 - Recommendation 1(f): Review \$88.4 Million Held in Reserve
- Issues from Financial Statement Audit



Publicly Reporting SA Information

- **OIG Recommendation 1(a).** Requirements for clear and separate financial reporting of special account funds in a publicly available report.
- **Agency's Corrective Action:** OCFO's Office of Budget in coordination with OSRTI and OSRE will provide clear and separate financial reporting in a section of the appendix of the Agency's Annual Performance Plan and Congressional Justification (CJ).

In addition, this information will be available on EPA's Internet.



Publicly Reporting SA Information, cont.

- **Status**

- The draft template was submitted to OMB on September 14, 2009 with no actual numbers.
- The *Financial Status of SAs* (slide 4) is the template with the FY 2009 program actuals and multi-year planning information.
- There will be additional time to edit and revise through December and January.

- **Timeline**

- January 7, 2010 – Draft Final Data is due in OB database
- January 15-17, 2010 – OB Management Review
- January 20-28, 2010 – OMB Submission/Review/Approval
- February 1, 2010 – Submission to the Hill

- **Availability on the Internet**

- The CJ is available to the public on EPA's Internet after it is submitted to the Hill. <http://www.epa.gov/cfo/budget/2009/2009cj.htm>
- This information can be made available on the EPA Special Account topic page once created.



Guidance on Reserves

- **OIG Recommendation 1(e).** Establishment of guidance and/or policy that addresses the proper application and amount of the holdback or reserve of special account funds for future use. The guidance and/or policy should include a listing of factors to assess in establishing, maintaining, and releasing reserves, both before and after an agreement for clean-up is achieved with PRPs.
- **Agency's Corrective Action:**
 - Data collection/analysis to be completed by November 30, 2009
 - Draft fact sheet providing clarification by March 31, 2010
 - Final fact sheet by September 30, 2010

Guidance on Reserves, cont.

- Data collection/analysis completed
 - Analyzed FY 2010 CERCLIS planning data
 - Following reasons found for retaining funds:
 - PRP has not agreed to do the work and/or remedy has not been selected at a portion of the site.
 - There is a potential for EPA to take over work at the site.
 - The exact nature of future work is unknown at this time.
 - SA funds will be used for operation & maintenance costs.
 - There is uncertainty regarding the performance of the remedy.
 - SA funds will be used for conducting additional characterization, studies, or data collection.
 - SA funds will be used for implementing institutional controls and/or optimizing the remedy.
 - Redevelopment at the site may require a modification to the remedy.

Guidance on Reserves, cont.

- SA Reserve Workgroup
 - Regional and HQ participation
 - Reviewed results of data analysis
 - 2001 Timing and Use Guidance
 - Workgroup is determining if additional clarification on the Timing of using SA funds would address most of the issues related to retaining funds for future use.

Review \$88.4 M Held in Reserve

- Until completion of the fact sheet we will document discussions with the Regions on funds retained for the Beede Waste Oil, Thermo Chem, and Stringfellow sites.
(Recommendation 1(f))

Financial Statement Audit

- FY 2008 and 2009 Financial Statement restatement because of an issue with SA fund codes.
 - \$97 million of SA funds were disbursed from the incorrect fund code creating an understatement in the agency's liability account and incorrectly reporting revenue over the past seven years. 95% occurred between FYs 2003 and 2007.
 - The issue resulted from a change in accounting procedures in FY 2002 for funds collected for future costs (TR2) versus those received relating to past costs (TR2B).
 - Two part process for correcting the issue:
 1. Open obligations at sites with negative fund code balances need to be corrected.
 - a. This needed to be done to stop the issue from becoming worse with disbursements processed against these obligations.
 - b. This step is in process and we are working with remaining sites to get corrections processed.
 2. Disbursement transactions creating the negative fund code balance need to be corrected at the site level.
 - a. This process will require regional assistance in creating new lines of accounting to apply disbursements against the appropriate fund code.
 - b. These corrections will be processed during FY 2010.



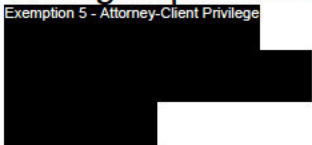
SA Documents under Development

Area to be Addressed	Description	Proposed Type of Document	Lead Office	Next Steps
1. Holding special account funds when agreement has been reached with PRP ("Reserves")	Provide clarity on the subject of retaining funds in a special account for potential future use when an agreement has been reached with the PRP(s).	Fact Sheet	OSRTI	Draft fact sheet by March 31, 2010. Final fact sheet by September 30, 2010.
2. Use of special account resources	Special account resources should generally be used before appropriated resources.	Clarification Statement	OSRTI	May be addressed through Reserve fact sheet.
3. Placement of funds into a special account	Place into special account only the estimated amount needed for future work.	Clarification Statement	OSRTI	May be addressed through Reserve fact sheet.
4. Annual Report	Chair of the Committee is to develop a report annually on the activities of the Committee to be provided to the signatories of the Charter.	Report	OSRTI	Develop draft report by February 5, 2010.

SA Documents under Development

Issue/Area to be Addressed	Description	Proposed Type of Document	Lead Office	Next Steps
5. Procedures for reclassifying Superfund expenditures	Procedures for how to reclassify site-specific expenditures with SA funds, including HQ site-specific expenditures.	OSWER Directive	OSRTI	Issue under OSRTI OD signature in December 2009.
6. Sample Memos	Reissue sample memos for regions to use when notifying HQ of establishing a SA, reclassifying, transferring funds to the Trust Fund, closing out a SA, or combining notification of actions.	Sample memos	OSRE	Share draft of transmittal memos and sample memos with other offices.
7. Frequently Asked Questions (FAQs)	Short document for the Intranet with the most frequently asked questions HQ receives on SAs.	FAQs	OSRE	Finalize FAQs by December 2009.

SA Documents under Development

Issue/Area to be Addressed	Description	Proposed Type of Document	Lead Office	Next Steps
8. Charging of benefits and leave to a special account	Clarify the terms “benefits” and “leave” in a financial context and what can and cannot be charged to a special account.	Fact Sheet	OB	May not be needed. On hold to evaluate planned and actual utilization of SAs.
9. Financial Management of Special Accounts (RMDS 2550D Ch. 15)	Update guidelines on amounts deposited into SAs and document sound internal controls and federal requirements.	Guidance	OFM	Workgroup is on hold <small>Exemption 5 - Attorney-Client Privilege</small> 

Funds Set Aside for SA Management

- Exemption 5 - Deliberative Process
[REDACTED] of appropriated Superfund money has been retained for managing SAs
- 4 options have been developed for using these funds
- Committee to decide how to use these funds

Funds Set Aside for SA Management, cont.

1. Database Improvements

- Create reports or simplify the ability to access SA information
 - Additional standardized reports in FDW and ORBIT
 - Ability to pull information such as settlement agreements from Superfund Document Management System (SDMS)
 - Changes to CERCLIS or SCORPIOS

2. Create a SA Topic Page on the EPA Internet

- Increase our coordination and transparency to external parties
- Consolidate information from OCFO, OSRTI and OSRE
- Include general information about SAs, policies and guidance documents, public reporting information, etc.



Funds Set Aside for SA Management, cont.

3. Create a Lotus Notes workplace
 - House draft working documents for HQ and Regional staff
4. Obtain contractor support for Senior Management Committee activities
 - Assistance for meetings and conferences, analysis of SA plans and uses, program evaluations, etc.

Action Items and Next Steps

- Review Action Items
- Next Steps
 - Update SA Management Strategy Work Plan
 - Provide draft meeting notes and action items for review
 - Finalize meeting notes and action items
 - Post Committee materials on OSRTI SA Intranet
- Next Meeting May/June 2010